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Part IV.—Proceedings of the Madras Legislature.

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Proceedings of a Meeting of the Council of the Governor of Fort St. George assembled for the purpose of making Laws and Regulations under the provisions of the Act of Parliament, 5 & 6 Geo. V, Ch. 61.

The Council assembled at the Banqueting Hall, Madras, at 11 a.m. on Thursday, the 27th day of May 1920.

Present:

His Excellency the Right Hon'ble Lord Willingdon of Ratton, G.C.S.I., G.C.I.E., G.B.E., Governor of Madras—*Presiding*.
The Hon'ble Diwan Bahadur Sir P. Rajagopala Achariyar Avargal, K.C.S.I., C.I.E.
The Hon'ble Mr. L. Davidson, C.S.I.
The Hon'ble Mr. C. G. Todhunter, C.S.I.
The Hon'ble Mr. A. Y. G. Campbell, C.I.E.
The Hon'ble Mr. S. Cox.
The Hon'ble Major-General G. G. Giffard, C.S.I.
The Hon'ble Mr. R. A. Graham.
The Hon'ble Mr. W. J. J. Howley.
The Hon'ble Mr. R. Littlehailes.
The Hon'ble Diwan Bahadur L. D. Swamikannu Pillai Avargal, I.S.O.
The Hon'ble Diwan Bahadur P. Tyagaraya Chetti Garu.
The Hon'ble the Rev. E. M. Macphail, C.B.E.
The Hon'ble Mr. C. V. S. Narasimha Raju.
The Hon'ble Mr. K. Venkatappayya Pantulu.
The Hon'ble Rao Bahadur T. Balaji Rao Nayudu Garu.
The Hon'ble Mr. W. Vijayaraghava Mudaliyar.
The Hon'ble Mr. B. V. Narasimha Ayyar.
The Hon'ble Mr. V. Madhava Raja, Elaya Nambidi of Kollengode.
The Hon'ble Rao Bahadur V. K. Ramanuja Achariyar Avargal.
The Hon'ble Rai Bahadur T. N. Sivagnanam Pillai Avargal.
The Hon'ble Sri Raja Rao Venkata Kumara Mahipati Surya Rao Bahadur, Raja of Pithapuram.
The Hon'ble Mr. B. Venkatapati Raju.

The Hon'ble Khan Bahadur A. T. G. M. AHMAD TAMBI MARAKKAYAR SAHIB Bahadur.
The Hon'ble Mr. J. F. SIMPSON.
The Hon'ble Mr. J. H. THONGER.
The Hon'ble Mr. T. ARUMAINATHA PILLAI.
The Hon'ble Diwan Bahadur T. DESIKA ACHARIYAR Avargal.
The Hon'ble Mr. H. H. G. MITCHELL, O.B.E.
The Hon'ble Khan Bahadur N. MUHAMMAD USMAN SAHIB Bahadur.
The Hon'ble Rao Sahib M. C. MUTTAYYA CHETTIYAR Avargal.
The Hon'ble Rao Sahib T. NAMBERUMAL CHETTI Garu.
The Hon'ble Rao Bahadur N. SUBBA RAO Avargal.

ACTS ASSENTED TO BY HIS EXCELLENCY THE GOVERNOR.

The SECRETARY reported that the Madras Children Act, 1920, and the Madras District Municipalities Act, 1920, received the assent of His Excellency the Governor on 24th April 1920 and 5th May 1920, respectively.

Resolutions on matters of general public interest.

RESOLUTIONS *RE* PROVINCIAL CONTRIBUTION TO MEET IMPERIAL DEFICIT.

'I. This Council recommends to His Excellency the Governor in Council that the proposal to levy a contribution from the Local Government to meet the deficit of the Government of India is opposed to the policy of fiscal autonomy.

'II. This Council recommends to His Excellency the Governor in Council that, if a contribution has to be levied to meet the deficit, the deficit should be wiped out in a fixed term of years which should not exceed ten years and that there should be a maximum amount beyond which contribution towards the deficit should not be claimed.

'III. This Council recommends to His Excellency the Governor in Council that the contribution required from the Madras Government in the first year of the Reforms, namely, 348 lakhs, is excessive and that the Madras Government will be unable to carry out several important schemes which have been hung up owing to financial stringency in the past.'

The Hon'ble Rao Bahadur V. K. RAMANUJA ACHARIYAR :—"I beg to move Resolutions Nos. I, II and III on the agenda paper together. Before I read the resolutions I wish to place the facts of the case before the Council. The authors of the Reform Report proposed to give the provinces complete provincial autonomy; that is, they wanted to remove every dependence of the Local Governments on the Government of India for the means of developing their resources. It was proposed to do this by estimating the Imperial expenditure giving the Government of India such sources of revenue as they require and transferring all the other heads to the Provincial Governments. The heads of revenue which the Government of India had till now were Salt, Opium and Customs, and the commercial departments, Posts and Telegraphs, Railways and Mint; and they had also tributes from Native States. The Reform Report proposed to add to them Income-tax and General Stamps, and to transfer to the Provincial Governments Land Revenue with Irrigation Revenue, Excise and Judicial Stamps. A calculation was then made of the receipts of the various Governments on this basis. It was then found that the gross revenue of the provinces would increase by 1,564 lakhs, and that the revenue of the Government of India would fall short of the old income by 1,363 lakhs. These figures were prepared on the basis of the budget for 1917–18. The Reform Report considered that it was not proper to levy fresh taxation at the outset, and it was proposed accordingly to distribute the deficit of 1,363 lakhs among the various provinces. Several modes of distribution were considered. The first was on a *per capita* basis, i.e., to distribute the revenue per head of the population. This was considered to be improper, because undesirable variations between provinces in the rate of levy would be impossible to avoid; and it was rejected. The basis of gross revenue was also rejected, because this would leave several of the provinces with large deficits. It was therefore proposed to adopt the basis of gross surplus obtained by deducting normal expenditure from normal receipts, and to divide the deficit on this basis. The report proposed to take 87 per cent as the gross Provincial surplus. Under that arrangement our Government would have to contribute 428 lakhs. The rich Provinces of Bengal and Bombay would have to contribute only 69 and 88 lakhs respectively. Naturally this proposal evoked much opposition from the Madras public, and the Madras Government also, I understand, made a representation. The objection to the gross surplus basis was that it taxed the economical

and thrifty and benefited the extravagant. In order to have a large surplus, it is necessary that the Government should be economical and tax the people to the utmost limit of their capacity. By both these means the surplus can be made very large. The Madras Government have been taxing the people to the utmost limit of their capacity. If the Council will examine the figures given in the various papers, it will find that the land revenue in Madras is Rs. 2-8-11 per acre of cultivated area of ryotwari land; the next lower figure (in Oudh) is Rs. 1-15-3. Madras also levies the highest excise revenue, the figure being Rs. 11-2-2 per proof-gallon of country spirit. The Madras Government have also been blamed by many people for being very economical, which resulted in very large surpluses. The other provinces did not tax the people to the same extent, and they spent much more than we have been spending. Their balances therefore were very small. The result is that under the first arrangement we should have had to pay 428 lakhs. The protest raised by the people and the objection raised by the Madras Government were overruled, and the Madras Government were asked to work out normal figures of receipts and expenditure. When this was done, it was found that under the calculation the revenue would be 1,442 lakhs and the expenditure 1,055 lakhs, and the surplus 387 lakhs. At first the deficit of the Government of India was estimated at 1,363 lakhs. This was on the basis of the budget for 1917-18. The actuals of that year were only 641 lakhs. The first figure estimated, 1,363 lakhs, was reduced first in April 1919 to 1,200 lakhs, then to 1,100 lakhs in September 1919 and to 600 lakhs in January 1920. It may be asked how this very desirable result was brought about. This appears to be due to the high exchange value of the rupee. The Currency Committee expected that the Government of India would make a profit of 12½ crores, and if that were correct, I do not see why there should be a deficit at all; the whole of the 1,363 lakhs deficit should have completely disappeared. When the Currency Committee made its recommendation, the rupee was taken as equivalent to 2*s.* Now it is 2*s.* 8*d.* The profit therefore ought to be larger. Taking the deficit of the Government of India as 600 lakhs, and the Madras surplus as 491 lakhs as originally estimated, we should have to contribute only 188 lakhs. If the revised figure based on the budget of 1919-20 is taken, we should have to contribute only 211 lakhs. When matters stood thus a committee presided over by Lord Meston was appointed to consider the financial relations of the Local Governments with the Government of India, and that committee has made certain changes. It proposes to keep General Stamps as an item of provincial revenue. It is said that this is necessary to help the poorer provinces, which would start with little or no surplus under the arrangement proposed in the Reform Report. It is urged that the initial distribution of the central deficit will be easier and that the taint of a divided head will be completely removed. Though General Stamps can be separated from Judicial Stamps, both kinds of stamps are controlled by the same agency. The committee therefore proposes to make General Stamps an item of provincial revenue. It sees no disadvantage in the levy of different rates of stamp duty in different provinces. I know that my commercial friends have been objecting to the proposal, as it would be very inconvenient to them. As that forms the subject of Resolution IV, I say no more about it. By transferring General Stamps wholly to the provinces, the deficit has been raised from 600 to 983 lakhs. I do not quite understand the figure 983, because the receipts under General Stamps amount to 298 lakhs only. Lord Meston's Committee makes certain adjustments. Making them the deficit will be only 881 lakhs. The committee also proposes a new basis of distribution, because distribution on the basis of surplus was objected to, and the spending power of the various provinces is therefore taken. By this term—spending power—we should understand the gain to each province by the new arrangement—the extra revenue which the provinces would get. The spending power in all provinces was worked out on the basis of the 1919-20 figures and was found to be 1,850 lakhs. The figure for Madras is 576 lakhs: that would be our spending power and it is proposed to take out of this 348 lakhs and for meeting the Government of India deficit to leave 228 lakhs to us. The reason why 348 lakhs is taken is that we shall not be able to digest all the 576 lakhs and that we shall be able to spend only 228 lakhs. The committee therefore proposes that in the first year of the Reform the Government of India should appropriate 348 lakhs; in the subsequent years this figure will be gradually reduced until in the seventh year the contribution will be 17 per cent of the deficit or 167 lakhs. A very useful table has been given in the report, from which it will be found that Madras will begin with 35½ per cent and that this figure will go down every year by 3 or 3½ per cent to 17 per cent in the seventh year. Bengal, on the other hand, will begin with 6½ per cent and this figure will rise by annual increase of 2 or 2½ per cent to 19 per cent. Bombay will begin with 5½ and will contribute 2 or 2½ per cent more every year, until 13 per cent is reached. We may compare the result of this arrangement with the result under the Reform Report. Madras is to get by General Stamps 56 lakhs, and it will contribute 160 lakhs more than it would do under the Reform Report. Under the Reform Report we should have contributed only 188 lakhs and now we shall have to contribute 348 lakhs, or 160 lakhs more. Our gain would be 56 lakhs and our loss 160 lakhs.

"I now come to the three resolutions. The first resolution reads thus:—

'I. This Council recommends to His Excellency the Governor in Council that the proposal to levy contribution from the Local Government to meet the deficit of the Government of India is opposed to the policy of fiscal autonomy.'

"I understand the principle of Provincial fiscal autonomy to be that each Government will deal with its own heads of revenue and will be completely independent of the Government of India. If the Government of India are going to levy a contribution from us, we shall not

have full fiscal autonomy. I do not think it necessary that any contribution should be levied from this Government at all; for the deficit of 983 lakhs may be wiped out in a short time by the favourable exchange. I have already stated that at the time of the Currency Committee's Report the rate of exchange was 2*s.* to the rupee; it is now 2*s.* 8*d.* Then another method is to resume the Provincial balances, which are large. The figure for all the provinces was 1,660 lakhs on the basis of the budget for 1919–20 and the policy of absorbing Provincial balances is not a new policy. The Government of India have been in the habit of absorbing Provincial balances and they can do so now. Then they have got Customs duties. An export duty is now being levied on raw hides and skins and there is also the increased revenue to accrue from the higher values of articles of export and import. Then there is the income-tax. New companies, the growth of which was prevented during the war, are now allowed to be formed and they will extend their business. That will bring in more income-tax, and also arrangements are being made for more accurate assessments. Railways are bound to increase the receipts of the Government of India and in the last resort they can resort to taxation. They may levy an import duty on luxuries; they may levy an import duty on liquor, and if that be done, the Local Governments will be in a position to raise their excise revenue, for I understand that the duty on country liquor should not be allowed to exceed the rate of import duty. Therefore, if the import duty is raised, we can also raise our duty and get a larger excise revenue. The Council will observe that the heads of imperial revenue are most elastic, and they can be easily raised, and all the money required by the Government of India can be found by any one of these methods. My first resolution therefore is that the proposal to levy a contribution from the Local Government to meet the deficit of the Government of India is opposed to the policy of fiscal autonomy. The Government of India should find its own revenue, leaving the Provincial Governments to develop in the way they consider best.

"My second resolution is 'II. This Council recommends to His Excellency the Governor in Council that, if a contribution has to be levied to meet the deficit, the deficit should be wiped out in a fixed term of years which should not exceed ten years'. I have pointed out that there need be no deficit, but if arrangements cannot be made for the first year, then the deficit should be wiped out in a short time and I have fixed ten years as the limit within which this should be done.

"The second part of the resolution is 'and that there should be a maximum amount beyond which contribution towards the deficit should not be claimed'. The deficit is now put down as 983 lakhs and we are asked to contribute our percentage. It should not be left to the Government of India to come down and say 'our deficit in this particular year has become 1,500 lakhs: you must contribute a larger amount'. Not only should the maximum amount be fixed, but also our contribution should be fixed. I am glad to find that this proposal of mine has been anticipated in the draft rules which have been published by the Government of India. They say that 983 lakhs will be the maximum amount of deficit and that contribution will not be claimed from us in respect of a larger amount.

"It has been suggested to me that I might omit the latter portion of this resolution, viz., that there should be a maximum amount beyond which contribution towards the deficit should not be claimed. I would rather leave it as it is, because these rules are only provisional. I don't know whether these rules have been finally sanctioned."

The Hon'ble Mr. C. G. TODHUNTER :—"We have no official intimation."

The Hon'ble Rao Bahadur V. K. RAMANUJA ACHARIYAR :—"I would therefore leave the resolution as it is.

"The third resolution is 'that this Council recommends to His Excellency the Governor in Council that the contribution required from the Madras Government in the first year of the Reforms, namely, 348 lakhs, is excessive, and that the Madras Government will be unable to carry out several important schemes which have been hung up owing to financial stringency in the past.' The first point I want to make out is that the contribution is too large. The reason for taking 348 lakhs from us is that we shall be unable to digest all this money; it is a windfall. I do not know to whom the committee is obliged for this suggestion. I do not know whether the suggestion occurred to any member of the committee, or whether it was suggested to them by somebody else. I find that one of the gentlemen who were examined by the committee and who is doing public work has said 'the Madras Government has throughout shown an incapacity to utilize grants and has piled up balances. It cannot be held to be ready for spending the same immediately in an efficient manner for the benefit of the tax-payer'. With all respect to that gentleman, I consider this is an erroneous view. If the Council knew what was the arrangement under which the Madras Government had to work, it would not agree with that gentleman. The Madras Government were given funds to incur expenditure up to a certain amount. If, therefore, the expenditure had to be exceeded, application had to be made to the Government of India every time, and if any one had been in a Government office, as I had been, he would have known how extremely difficult it is to satisfy the Government of India and get what was wanted. And in this matter, the Government of Madras had not the public behind their back; because under a rule framed by the Government of India, all correspondence between the Local Governments and the Government of India has to be kept strictly confidential. My friends the non-official Members of the Council have realized that on many matters, we could not get any information from the Local Government, because they were not permitted to give the information. Therefore, we did not know what was happening and therefore we

were not in a position to support the Madras Government as much as we should have done and therefore it has happened that Madras has not been spending as much as the other provinces. Bengal has been spending a lot, because the Bengal politicians had the ear of the Government of India and you remember that Calcutta was the capital of the Government of India for many years and Bombay has been very importunate and Sir Herbert Risley in his evidence before the Decentralization Commission said that for the sake of peace, the demands of the Bombay Government had been complied with by the Government of India. The Madras Government were very loyal and they have not been importunate as the Bombay Government have been, nor had they the ear of the Government of India as Bengal, and therefore, in my opinion the Madras Government has been unjustly blamed for not being able to spend the balances.

"Now, I will proceed to point out that there need be no fear of indigestion, and that almost the whole of the 576 lakhs can be spent. Lord Meston's Committee have taken the normal expenditure to be 879 lakhs. The revised estimate for the current year is 1,133 lakhs. Deducting 95 lakhs provided for giving effect to the recommendations of the Salaries Committee, the normal figure would be 1,038 lakhs. Thus, we have in the current year made arrangements for spending 159 lakhs more. I have examined the budget and find that the increases are under the following heads: Forest, 11½ lakhs; that is a department in which if we put more money, we get more income; Police, 29½ lakhs; it goes without saying that the Police should be strengthened if we are to live in peace; Education, 29 lakhs; we have all been clamouring for more money being spent on education; Medicine, 17½ lakhs; that is another department in which we have been asking that more money should be spent on opening more dispensaries; Sanitation, 19 lakhs; Agriculture, 10½ lakhs and Civil works, 42½ lakhs. All these important improvements will absorb 159 lakhs. Then we come to the Salaries Committee's report. I know that that report has been received with great dissatisfaction; but even as it is the cost of accepting the recommendations would be 150 lakhs, and if the pay of the elementary school teachers be raised from Rs. 12 and Rs. 13 to Rs. 25 and Rs. 30 in all private schools, another 50 lakhs would be required, making a total of 200 lakhs. For the development of the various departments 159 lakhs would as already stated be required. If we take 359 lakhs from 576 lakhs, we have 217 lakhs left. My Honourable friends in the Council have been very anxious to expand education. The ideal that has been put before us by the Government of India is that in the course of ten years the number of pupils in the boys' schools should be doubled. An estimate of the cost has been framed, and it is found that 122 lakhs would be required for the salaries of teachers and 54 lakhs for buildings. The estimate was prepared on the basis of a pay of Rs. 12. But as that figure has to be doubled, 244 lakhs would be required for salaries and 54 lakhs for buildings or 298 lakhs in all. Under the Bill which is now under the consideration of this Council, an education cess will be levied and half the cost of education will be met by the local bodies. But the Government will have to find 149 lakhs. Then there is the question of placing the local bodies on a sound basis. They have to be made as independent of the provincial Government as the provincial Governments are to be made independent of the Government of India. The local bodies should not be dependent on the Government for doles, but should be in a position to carry out all the works of importance themselves, such as Town planning, for which a Bill is almost ready, water supply and drainage. During the current year, we propose to spend 26 lakhs for sanitary purposes and 45 lakhs for roads and communications, making a total of 71 lakhs. It is necessary that this figure should be doubled. Now, if you take 149 lakhs for education and 71 lakhs for local bodies, the total would be 220 lakhs. The remainder left to us out of our spending power is only 217 lakhs. We shall thus be in a position to spend all the amount we shall get under the arrangement, and we shall still be in a position to require more funds. We have not provided much for Industries; my friend Mr. Tyagaraya Chettiyar, who is interested in industries says that that ought not to be overlooked.

"I would ask my Honourable friends here why we have been asking for reforms. It was because we found that the local Government was not spending as much as we required on several important objects, and we wanted to have a majority in this Council in order to be in a position to compel the Government to spend more money to meet our needs in various directions. But if we have the reforms and the majority in the Council without funds, our position will remain the same. If, therefore, the Government of India insist on taking 348 lakhs from us, what I should do is to stay away at home and sleep until better times come. For, it is useless for us to come here and batter Government when they have no funds. If the contribution is inevitable, I would request the Government of India to take only 17 per cent of the deficit. This has been suggested as an equitable rate to be reached in the seventh year. I would request the Government of India not to take anything more than this and take only the equitable rate at the outset. And this would be done in the case of the United Provinces and the Punjab. For the other Provinces, certain low figures are given which, the report says, the poor provinces can contribute. What I say is, levy from the three richer provinces, Madras, the Punjab and the United Provinces, at the equitable rate and from the poorer provinces take at the rates at which they can contribute. I find that this will give the Government of India 652 lakhs. The difference between this figure and 983 lakhs should be met by the absorption of provincial balances. This is not a new thing to the Government of India. They have been absorbing provincial balances on many occasions. In 1887, they absorbed from this Government 17·44 lakhs a year. In 1892, they took from us 10·38 lakhs a year. In 1897,

13 lakhs a year. Therefore, what I ask is that the Government of India should take from the balances of other provinces such amount as will cover the remainder of the deficit. In the succeeding years, those provinces would contribute larger percentages. Therefore, the difficulty of covering the deficit would be diminished. In the seventh year, there will be no difficulty whatever. The effect of these resolutions is that no contribution should be levied at all from us, the second is that the deficit should be wiped out in a fixed number of years and that it should not be a permanent one hampering all our operations; the third resolution says that 348 lakhs is a very excessive figure, and that if they should take anything at all from us, it should not be more than 167 lakhs. I place these three resolutions before the Council in the hope that we shall all unanimously approve them and support the Madras Government in its fight with the Government of India and the Secretary of State."

The Hon'ble Diwan Bahadur T. DESIKA ACHARIYAR :—"Your Excellency, I rise to second the resolutions proposed by the Hon'ble Mr. Ramanuja Achariyar and beg to point out that Madras is not in a position to pay any contribution whatever. On principle the levy of such a contribution is wrong. If a contribution were levied in this manner, it would be practically controlling the policy of the local Governments. The local Governments will have to allot and spend money according to the amount which has from time to time to be saved and paid to the Government of India. This will lead to curtailing our expenditure and therefore necessarily the shaping of our policy. The result will be that provincial autonomy will be a myth and a thing only in name and nothing more. The Madras Government has had very many schemes with reference to which large expenditure could have been incurred in the past. But their hands have been tied up and I have no doubt that vast sums of money are at the present moment immediately required for the development of the resources of this Presidency. I have been intimately connected with the local and municipal administration during the past 12 years and every time a bridge had to be constructed, a dispensary had to be opened, a drainage scheme to be piloted through or a water-supply to be improved, we came up to Government for a grant, and the Government said 'no, we have no funds'. For one district, I can say that at least 16 lakhs are required for the purpose of building immediately necessary culverts and bridges. There are only 13 dispensaries in a big district like Trichinopoly, where there ought to be at least 39. With reference to elementary school teachers, we are paying them hardly a living wage and even if we increase their salary by one rupee we have to pay an enormously large sum of money in each district and therefore the amount of money that could be immediately absorbed by the whole Presidency is immense. With regard to sanitation, villages in India look from a distance very pretty and are admired for their arcadian simplicity, cleanliness and the ease and comfort that could be found inside them. But go into a village and the squalor and the dirt that face you are something appalling. Village sanitation has had a very bad past. I need hardly point out that under the heads of medical relief, sanitation and communications, departments with which I am intimately connected, a large sum of money has to be spent both by the Government and the local and municipal bodies. When the budget was under discussion I asked Honourable the Finance Member to treat the local bodies very favourably with reference to their immediate needs created by the recommendations of the Salaries Committee. If Government servants get an increase of pay the local fund servants sitting next door would at once demand the same increase, and the local bodies would not be in a position to meet the demand at all. In this connexion, I would request the responsible officers in charge of the various departments, like the Surgeon-General, the Conservator of Forests, and the Director of Public Instruction to place definite figures before this Council as to the demands that have to be immediately complied with in connexion with the expansion and development of the departments under their control. If they do so, I am sure that not only the 348 lakhs but even double the figure that is available now would at once be consumed by the schemes which they want to work out. Having regard to the immense need that exists now for the development of this Presidency, it is absolutely necessary that we should protest against the levy of any contribution both because it is against all principle and as we are not in a position to make any contribution consistently with our legitimate demands and I therefore strongly support the resolutions proposed by the Hon'ble Mr. Ramanuja Achariyar."

The Hon'ble Rai Bahadur T. N. SIVAGNANAM PILLAI Avargal:—"Your Excellency, of the three resolutions moved by the Hon'ble Mr. Ramanuja Achariyar I beg to support only the first which recommends absolute prohibition of contribution from the Government of Madras to the Government of India. In doing so, I wish to say a few words. Till the year 1871 the Government of India had been treating the affairs of the Government of Madras as those of a young child unable to take care of itself. They had been pooling all the resources of the child with those of the father and spending upon the welfare of the child such small sums as they considered absolutely necessary. In that year they felt the first qualms of conscience and they decided upon giving over certain minor items of revenue with their corresponding items of expenditure and also allotted a certain amount to meet the expected deficit. That system continued for about 10 years, when it naturally broke down. Then the present system of sharing the revenue between the two Governments came into force and that system modified to some extent from time to time is the system that is now obtaining. It is needless to say that such systems are makeshift arrangements and they cannot continue for a long time. It was

27TH MAY 1920.] *(Mr. Sivagnanam Pillai; Mr. Macphail; the President.)*

reserved for no less personages than the present Secretary of State and the Viceroy to devise a scheme which will be all simplicity itself. The principle underlying the scheme is, so far as I can gather, that all items of revenue collected on account of Imperial taxation should go to Imperial funds and that all other items should go to Provincial funds. That is a very safe proposition and nobody can question the soundness or the usefulness of such a proposition. According to that proposition, when the items are classified, we find that we should have been richer by 576 lakhs. If this system had been introduced when the first allocation was considered, that is about 50 years ago, we should now have to our credit about 280 to 300 crores of rupees and all the items of expenditure which have been put off for want of funds would immediately then and there have been taken up and carried out. But there is no use crying over spilt milk. The thing is done. Now let us look forward to the future. Under the new scheme we ought to get 576 lakhs of rupees. But the Committee presided over by Lord Meston want us to give 348 lakhs and they leave us only 228 lakhs. They say that you will be unable to digest these large amounts. They fancy that we are like famine-stricken children who if fed with rich dish are apt to succumb to the increased diet. On the other hand the illustration which should be more acceptable would be, we are like parched up soil thirsting for water and when the water comes we have got the seed to germinate and the tree will be forthcoming in a short time. In the various departments of this Government we have been stinting because we have not got funds to manage the institutions. Therefore I have much pleasure in supporting the first resolution of the Hon'ble Mr. Ramanuja Achariyar that it is our bounden duty to say that no contribution should be taken from us by the Government of India. Out of the 576 lakhs I will deduct at once 82 lakhs which represent the revenue on general stamps as an item wherein we agree with the Montagu Chelmsford report and not with that of Lord Meston. General stamp is an item of Imperial revenue levied under an Imperial enactment and therefore it should go to the credit of the Government of India. If this is deleted, we have got only 576 lakhs minus 82 lakhs, that is about 400 lakhs and odd, and we would be asked to contribute according to Lord Meston's proposal 378 minus 82 or about 290 lakhs. We all know that the exchange has been favourable to us and it is going to be still more favourable. And there are other items of income which the Government of India have taken to themselves and which are all very flourishing items. They will in the usual course of time get what they want. Therefore it is absolutely unnecessary that they should call upon the local Governments to make any contribution. It is said in the report that in the case of some provinces they would be unable to start their finance without this help in the shape or transfer of general stamps. What we are now fighting for is a case of principle and not one of expediency, and as it is one of principle we should stick to the principle and leave the several local Governments to find ways and means for developing their finance or starting on a favourable and sound basis, and if they are not able so to start, let the Government of India come to their help or let them go to the open markets to find funds for starting. There is absolutely no reason why we should starve ourselves and our several items of expenditure in order to find funds for the Government of India. With these few observations, I support the first resolution of the Hon'ble Mr. Ramanuja Achariyar that we should not contribute anything at all to the Government of India."

The Hon'ble the Rev. E. M. MACPHAIL:—"Your Excellency, on a point of order I should like to know whether we are to discuss all the three resolutions together or whether we should now discuss the first resolution only?"

His Excellency the PRESIDENT:—"I understand from my Honourable friend that he wishes to take up the first three resolutions together. If Honourable Members will discuss them, at the end of the discussion I shall put them to vote one by one."

The Hon'ble the Rev. E. M. MACPHAIL:—"Your Excellency, I find myself rather in a difficulty, because while I support the third resolution very strongly, I am afraid I cannot agree with the first proposition brought forward by the Hon'ble Mr. Ramanuja Achariyar. The last speaker stated that we are dealing with the question of principle. I feel that it is a very dangerous thing for us to make a statement that any contribution from the local Government to meet the deficit of the Government of India is opposed to the policy of fiscal autonomy. I feel, Your Excellency, that as long as we form part of the Indian Empire it is absolutely necessary that the Imperial and Central Government should have the power to levy contributions on the different provinces that form part of the empire. It may be desirable that the money that is required by the Central Government should be raised in some other way. It may be desirable, for example, that it should be met by raising the customs duties. But the federal Government of Germany, for example, while it chiefly raised its revenue by means of certain taxes, always had the right to levy a particular contribution upon the individual States. So I consider that in the same way, if we are going to form part of the Indian Empire, we must be prepared to contribute something towards the cost of that empire and if necessary by means of a contribution levied upon each of the different States. My objection to the proposition is that it states it is opposed to the principle of fiscal autonomy for the Central Government to levy contributions on the Provincial Governments. Now, to my mind, it is absolutely impossible for any province of a federation or an empire to have fiscal autonomy. The Government of India, for example, will never allow us here to impose what customs duties we please. If I am not mistaken, one of the great questions that comes up in connexion with the relation of the Indian Empire to the rest of the British Empire is, how far by means of fiscal autonomy this part of the

British Empire shall have the right to impose customs duties and tariffs against the other parts of the empire. So it seems to me that as a province it is impossible for us to have complete fiscal autonomy, and consequently to state that it is opposed to fiscal autonomy to contribute to the Imperial Government is weakening our very strong case which is set out in the third resolution.

"The reason why I deprecate passing this resolution is, because we have such a strong case in the third resolution. We are indebted to Lord Meston and his co-adjutors for pointing out clearly how inequitable this presidency has been treated during the past years. I do not at all agree with the proposal made by Lord Meston's Committee with regard to the way in which it should be remedied. But we are grateful to the Committee for recognizing the injustice that has been committed during the past years. They admit it and they are trying to wipe out that injustice. I agree very much with the last speaker that it is rather absurd to say that because there is this inequality it should go on. If they are to remove this inequality, the sooner it is wiped out, if it can be done, the better. Now they have pointed out how it can be done in seven years. One would ask, 'why not do it at once.' I do feel after, reading the last part of the report that their sympathy with the effect on the Provinces that are going to pay these heavy sums is rather amusing. They fear that a sudden addition of a very large sum would disarrange our budget. I do think that in Madras, we would be able to spend with advantage a very much larger sum than we have been spending during the previous years. I can only speak for myself and I know what it has been with regard to education. We have constantly been told that 'this is an excellent thing but unfortunately Government do not possess funds.' These funds were going to the Government of India and we are being deprived of a very much larger share of our taxation than was right. Consequently I would like to support the third resolution but at the same time I deprecate our taking up a position which it seems to me would weaken our case, namely of stating that under no conceivable circumstances should we make any contribution to the Government of India."

The Hon'ble Mr. J. H. THONGER :—"Your Excellency, I very largely agree with the words that have fallen from the Hon'ble Mr. Macphail. I look at the question however more from a business point of view, and without going over the whole field of taxation, as the previous speakers have done, I wish to confine myself as far as possible to the question of the deficit itself of the Government of India. That is the source of the whole trouble. As a business man, I have no hesitation in saying that it is the negation of all business principles to budget for a deficit at all. If we, business men, ran our business on the basis of budgeting for a deficit every year, we should inevitably have to close them at an early date. My view of the matter is this, that the Government of India, the administrative body of India, is an incubus, but it is a very necessary one. It is the same as the administrative staff of any business, which, is often ornamental and sometimes useful. But if the administrative charges of a business are allowed to increase out of proportion to the profit earning capacity of the business, then it becomes in every sense of the word an incubus and has to be revised. Under the financial arrangements of this country, certain sources of taxation have been placed absolutely at the disposal of the Government of India. I very strongly believe that it is their first duty to see that their requirements are restrained and kept within their revenue. It should not be necessary for them to go to the Provinces for any further revenue, beyond that, which has been set aside for them. I look upon the Government of India as a very necessary body, but I do say that it is up to them to reduce their expenditure to the very lowest possible point from the point of view, which every business man will understand, that the expenses incurred by the Government of India are non-productive, for, nothing it spends brings back any return. Now it is exactly the opposite in the case of *provincial* revenues. Every anna we can profitably spend in this province is going to bring back revenue. 'Spend a rupee to make a rupee' is a well-known axiom of business. So it is with the expenditure of the provincial revenue; if we spend a rupee on agriculture it is in theory going to bring back another rupee; but if we pay our money away to the Government of India, we do not see it again in any form whatever. Many sources of expenditure have been mentioned in connexion with this discussion, amongst others, industrial expansion. And there is no doubt that the prosperity not only of India, but also of this province, is bound up with industrial expansion. From that point of view, Your Excellency, it is necessary that as much money should be kept within the province as possible for expenditure upon these productive schemes and from the same business point of view, it is absolutely essential in the interest of India that the non-productive expenses of the Government of India should be curtailed to the last possible rupee, always within the necessary expenses which an administration of that kind demands."

The Hon'ble Mr. B. VENKATAPATI RAJU :—"Your Excellency, we must thank this Government for giving us an opportunity for expressing our view with reference to this report and it is an unique occasion, in spite of slight differences of opinion, when both officials and non-officials and Europeans and Indians agree that Madras should get more funds. There may be differences of opinion as to how to get more funds. But the general conclusion is, we want more funds, and there can possibly be no difference of opinion. The Hon'ble Mr. Macphail has rightly pointed out that no province has any right to say that she is not going to contribute. I say it is illegal, because under the sections of the Government of India Act 1919, the Government of India has been given the right of levying contribution from the provinces to meet deficit. Therefore it is meaningless to urge that we are not going to contribute. But what we have to urge is, that the Government of India have no business to have any deficit. As the

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Hon'ble Mr. Thonger rightly pointed out, they have no business to keep a deficit, but if they have a deficit, the provinces are legally and loyally bound to contribute to it. Nobody can gainsay that point. But what the Hon'ble Mr. Ramanuja Achariyar wants to say in this resolution is, unless we have ample funds and unless our funds are our own on which there is no liability or charge in favour of the Government of India, we will not have sufficient freedom to exercise our judgment in spending these amounts; because, so long as the Government of India keeps a charge, as we call it, 'the first charge' on the revenues we realise, (376 lakhs or some such amount), they would say, 'you are not allowed to go on spending as you please till our money is safe in our hands.' So far there is a restriction on the exercise of our powers. With that object in view, the Hon'ble Mr. Ramanuja Achariyar has stated that it is opposed to the policy of fiscal autonomy. Whether that is properly expressed or not, what we say is that the income which the Government of India receives is quite ample to meet their demands. As Lord Meston pointed out, we cannot go into the questions of tariff policy, or of military expenditure, or of exchange policy, or the currency policy of the Government of India. But at a time when we are complaining that no additional amount ought to be taken from the resources allocated to the provinces, it is perfectly open to us to tell the Government of India and the Parliament which finally disposes of our destinies, that there are other resources available to the Government of India without touching any amount out of the sources of revenue proposed to be allocated to the provinces. Not as a matter of criticism but as a matter for contemplation and consideration both at home and in India, I might say that if we go on with a military expenditure on pre-war level, there will be a surplus of 32 crores in the hands of the Government of India. Supposing even if we increase it by 50 per cent, there will still be 17 crores before them. And if they try their best to reduce the military expenditure there would be ample revenues. Why not suggest to the Government of India to do some justice to the poor country of India? Their military expenditure may be reduced if not to pre-war level, at least to the extent of 50 per cent over the pre-war level. Even then we would have ample funds not only to cover up these 10 crores of rupees but even more.

"And now with reference to customs duties I am not particular on what article or articles they are to be imposed. But I will put it that no other civilised country imposes less than India. India's import as well as export duties are far less than in any other civilised country. Sometimes it is suggested that by imposing any duty on imports, the consumer must pay and therefore there will be an increase of prices. It is not always the case. It all depends upon the articles. There are some articles necessarily which are indulged in by rich persons who can well afford to pay extra import duties and we can as well put any extra duty on export of food stuffs which are eminently wanted for our country; people will be thankful for it; if we put an extra export duty, food stuffs would remain in the country, and there would be ample food for the people.

"Therefore there are other ways. With reference to the exchange policy also, we have got several difficulties created either designedly or without sufficient foresight. We have made much profit in various ways by exchange but we are losing it by the sale of reverse Councils. I do not know for what purpose. There is much difference of opinion. So far as Indian opinion is concerned, it is unanimous that the sale of reverse Councils during 1920–21 at a loss of 20 crores is altogether a waste and is not at all a justifiable waste on the part of the Government of India. There are so many other questions but what I say is that the Government of India should first of all economise their expenditure. If they cannot economise their expenditure, they can increase their resources by increasing the import or export duties. If these things are not enough to meet the necessary deficit, I would urge that there is another way which has been adopted all along. We know how the public debt was increased year after year. During the period of the last eight years we have increased the public debt by 900 per cent. Even taking the later period from 1912–18 we have increased the public debt by 220 crores. When we have increased the public debt by 220 crores in these five years, why not this nine crores every year be added for about seven years? If they have to borrow that amount and discharge all that amount, they would economise expenditure. So long as the Government of India find some other source from which they could get money they would not economise. After all, our Governments are not frugal and generally they spend their amount when they find it ample in their hands. Therefore so far as the first question is concerned, what the Hon'ble Mr. Ramanuja Achariyar wants is, in whatever way it is expressed—it may be left to the Hon'ble Mr. Macphail to alter it suitably—that the Government of India should not keep any deficit whatsoever and should manage in such a way as not to leave a deficit. If the Provinces were to contribute, it would be a restriction on their judgment in spending the amount placed at their disposal. That is the first portion.

"As regards the second portion, the Montagu-Chelmsford report has pointed out that with reference to some trouble 'kismet' in their report—if I may use a Muhammadan term—*kismet*, i.e., fate, because our Madras Government for a number of years acted the part of a miser and we are reaping the fruits thereof. They have amassed wealth at the expense of the general tax-payer. They have squeezed every pie from the poor ryot and left the country for the most part desolate and poor. Even the Hon'ble Mr. Desika Achariyar has pointed out that there is squalor when we get into any village; that is the result of squeezing every possible pie that you could squeeze from the poor people. That we have done. We, I mean the Government of which we form part for the present have not only taken every pie from people in all possible ways, but we have not spent it on any useful purpose; and therefore we find year after year

surpluses. Naturally a father judges his son's income and expenditure and says because he has got more money, he can afford to pay more, not because he has not got the right to spend it, but he has not spent it. That is generally done in all families. That is how the Government of India ask us to contribute. What I say is this. Just as a miser will have a prodigal son, all the surpluses which the previous Governments at the expense of all useful objects have earned have been wiped out by the Government of India. Now from nearly three crores surplus we have come to 44 lakhs of our surplus, whereas the rich Provinces of Bombay and Bengal have got now more surpluses. Even the poorest province which is so much pitied in Lord Meston's Committee's report has got more surplus balance than Madras. Ours is not a rich province, but our miserly province has not got even that surplus. We have spent away every pie of it. Now the Hon'ble Mr. Ramanuja Achariyar has pointed out that we have many useful objects to attend to. That is a matter which even Lord Meston has agreed to. He himself states that our resources are not elastic and our wants are many. In his own words he says: 'The revenues do not promise any remarkable elasticity, economy has been strictly practised and considerable arrears of administrative progress are now overdue.' That is admitted by Lord Meston. Therefore they do realize that fact. And also if we carefully scrutinize the budget figures of several Governments during the last six or seven years we find that except Madras every other province with a foresight that this would be the result, unless they spent more, have spent it all away. Bombay exceeded every possible limit and that is the reason why Lord Meston has pointed out that no other province has spent so lavishly as Bombay has done. The reason why Bombay spent it so lavishly is because it expected a rich reward. Though Lord Meston has noticed that 'Are we to penalize a prudent man and reward a prodigal,' he says 'We cannot help it.' Whatever be our moral indignation at the expenditure in one and appreciation of the economy shown by another, we cannot do any other thing. We cannot now ask those who have spent already to reduce their expenditure. But we have our own grievances. We naturally ask that we must be treated more favourably than the others: because no other province at the expense of the life and blood of the nation has taken several crores year after year and contributed for several years to the Government of India. And when we have contributed at the expense of our people, is it not fair even now when they want to show some justice that some more amount should be allowed to us and that they should not take a pie more than absolutely necessary and what is equitable under the circumstances? Therefore we naturally ask are we bound to contribute if there be a defficit? If we have to meet it, let all provinces be equally treated. Then they might ask—how can the poor Provinces meet the expenditure? It must cut its coat according to its cloth. A man has no business to spend more than he earns. Therefore when we are actually dividing our own resources, why should one man contribute to a poor brother when they are divided as though they were still joint; but when we want to separate our resources why should we be asked to pay more to another who has spent his amount? Therefore we naturally ask that we ought not to be required to pay more in order to support a poor province or a rich province.

"One other point I have to say. What Lord Meston says is that if we regard this as a contribution from the provinces, their allotment is not at all justifiable. It is only an allocation of some amount by the Government of India. We give some gift and therefore we are entitled to say that a portion of the gift should be paid back to us. If you take it in that light there is no injustice at all. Because if the resources are of the Government of India and the Government of India were given about 6 crores out of which they propose to take back 3 crores and give us 3 crores. If we agree that it is their money and that we should not look a gift horse in the mouth, I must say that it is not the money of the Government of Madras or the Government of India. It is the people's money and it must be spent on the people. My friend the Hon'ble Mr. Thonger points out that we are not making a profit. We are taking the money from the people in order to confer benefit on the people and the State exists in order to bring contentment and happiness to them. Therefore that money is wanted for the people; every pie, as our friend has pointed out, will be useful if we spend it in the provinces. We did not hitherto act prudently; if we had acted pendently, we would not have come to this position. Therefore in whatever shape we want to frame the resolution, the net result is the same. We want more funds. Therefore we must appeal to the Government of India and to the Parliament that they should leave us our resources and if any levy is to be made it must be equitable to all provinces. I have therefore great pleasure in supporting the resolutions of the Hon'ble Mr. Ramanuja Achariyar with whatever amendment the Hon'ble Mr. Macphail suggests."

The Hon'ble Mr. B. V. NARASIMHA AYYAR:—"With reference to the subject-matter of these resolutions, I believe there can be little dispute in this Presidency. We are all agreed that this Presidency has made considerable sacrifice in order to fit out not only the Government of India but also various other provinces with finances necessary for various items of expenditure on scales much larger than we have been indulging in in this Presidency; so far as the proposal that the Madras Government should contribute anything in the future for the deficit of the Government of India is concerned, we are all unanimous in condemning such a contribution. The first resolution is evidently intended to convey that idea. I believe the dispute ranges only about the last line whether we should simply condemn the idea of contribution or whether we should say that it is opposed to the policy of fiscal autonomy. I think it is a matter on which we need not spend much time. I believe the Hon'ble Mr. Ramanuja Achariyar used the term 'fiscal autonomy' in a general sense, not in the sense that nothing should be contributed from the provinces to the Central Government or to others. The Act undoubtedly says

in section 1 that the Government of India have power to levy contributions from the Local Governments, but still the general tenour of the financial arrangement recommended in the Montagu-Chelmsford joint report and the latter reports is one which has often been denominated 'fiscal autonomy'. Still in order to avoid a quarrel about words, I would be quite agreeable to the proposal if it is amended to read thus :

'This Council recommends to His Excellency the Governor in Council that the proposal to levy a contribution from the Local Government to meet the deficit of the Government of India be dropped.'

"With reference to the second resolution, if the deficit of the Government of India is at all to be met, then that deficit should be wiped out in a fixed term of years which should not exceed ten years. No objection could be raised to this proposal.

"As for the third, though the Hon'ble Mr. Macphail approves of the subject-matter of it, the form of the wording might be amended. It does not read like a recommendation to the Government of India. It might read thus :

'This Council recommends to His Excellency the Governor in Council to convey to the Government of India the feeling that exists in this Council that the contribution required in the first year of the reforms is excessive and that the Madras Government will be unable to carry out important schemes which have been hung up owing to financial stringency in the past.

"We can hardly recommend 'that the Government will be unable to carry out several important schemes.' There may not be any possible doubt as to our feeling in the matter though I find Lord Meston says in a very breezy way 'You have got quite enough money to spend' and suggests the digestion or indigestion theory. I do not know the exact origin of the theory that the Madras Government would not be able to digest and were not able to digest their revenues. I am afraid the Hon'ble Mr. Ramanuja Achariyar has been slightly uncharitable in the bestowal of praise and censure in this matter. We have both sat for over seven years together in the Madras Legislative Council. I think he will remember that on several occasions when we were discussing the budget and asking for more allotment we have been repeatedly told from Government Benches 'You cannot spend it, it will come in only as a closing balance.' I think very probably that is the origin. As to the other origin, referred to by the Hon'ble Mr. Ramanuja Achariyar, I find the words of the witness are capable of an entirely different construction. The words imply, rightly or worngly, a censure of the methods of the Madras Government till now. The Government as constituted till now has not been able to spend the money though it had opportunities of spending, and therefore if the Madras Government were constituted as it is at present, it would not be able to spend the extra amount. This is what the witness conveyed. It does not mean that the Madras Government under the Ministers, who would yield readily to pressure from non-officials, would be unable to spend moneys, because we know public opinion is strongly for expenditure and a responsible Government which is unable to spend its revenues is an impossibility. I may also indicate, whatever our general view is, that if to-day we had a responsible Government, it would be the unanimous opinion of all here that the Minister should resign his place rather than keep on as a Member of the Government under that stringency.

"We would ask the Ministers all in a body to resign rather than keep on working or attempting to work with such restricted funds. We all know that there are a body of persons who view the reforms with little favour and who think that the reform scheme is sufficiently a mockery already. It will be more clearly a mockery under the scheme proposed by Lord Meston's Committee. Not only is the power given on paper very little for the people's representatives but the funds given are still less adequate. One could easily understand the difference between the Government as it has been till now, the Government as it is to-day and the Government as it will be after the reforms. The future Government will undoubtedly be able to digest these 3 crores and a great deal more. As for the shape of the third resolution, it can be suitably altered either in the way in which it was read out or in some other way agreeable to the mover. Finally we would all entreat the Madras Government to impress upon the Government of India and the Secretary of State that the feeling is very strong here, that the Madras ryot is not willing to bear burdens, as he has been long bearing, for the sake of the Bengal ryot or the Bombay subordinate establishments. The sense of injustice is so strong that the Government should take note of the fact. There is no use blinking facts. The sense of injustice is rankling in the hearts of everybody. Look at the proceedings of any association; you find the protest unanimous against this injustice."

The Hon'ble Rao Bahadur N. SUBBA RAO :—"I would very much wish that we should come to an unanimous conclusion with regard to the resolutions before us, as the resolutions relate to an injustice which is acknowledged on all sides and with which we have been suffering for years. We also find that there is great unanimity both among officials and non-officials and Europeans and Indians in this matter. Several points of view have been put forward by the previous speakers before Your Excellency. The one is that we, as members of the Indian Empire, should contribute towards any deficit that might occur in the Government of India's budget. Also it has been said that it would be illegal if we do not contribute at all. I wish to speak a few words on the general aspect before I say what part of the resolutions I am going to support. Now, taking the first resolution, the Government of India Act of 1919 is very explicit. In the preamble it is said 'whereas concurrently with the gradual development of self-governing institutions in the provinces of India it is expedient to give to those provinces in provincia

matters the largest measure of independence of the Government of India which is compatible with the due discharge by the latter of its own responsibilities'. This refers not only to the transferred and reserved subjects, as also to the devolution and allocation of revenue; section 1 (*b*) runs as follows: 'Provision may be made by the rules under the Act for the devolution of authority in respect of provincial subjects to Local Governments and for the allocation of revenues or other moneys to those Governments'. Lord Meston's Committee was formed under the power given in the said clause and that it is 'Without prejudice to the generality of the foregoing powers, rules made for the abovementioned purposes may provide for fixing the contributions payable by Local Governments to the Governor-General in Council and making such contributions a first charge on allocated revenues or moneys.' After reading these sections my observations are, Your Excellency, that there should be fiscal autonomy for the Local Governments. The Local Governments must as far as possible be independent of the Government of India as far as the allocation of money is concerned, and the Government of India shall have such sources of revenue as will make their income equal to or more than the expenditure which they have to incur. From a business point of view and from a commonsense point of view it is a right policy that the Government of India should have such sources of income as are suitable in the sense that it shall be really an imperial source of revenue, and not a provincial source of revenue. Certain duties and responsibilities have been laid upon the Government of India and such duties and responsibilities will have to be met from the allocation of the funds that are originally made, that is to say, by the allocation of certain sources of revenue. And if the Government of India is made to understand that only such sources of revenue as were originally allocated to them are available to them, then they will cut their coat according to their cloth and arrange their expenditure according to the allocation of the funds or according to the funds which those sources of revenue will bring in. The Government of India has no doubt the power to levy certain contributions from the provincial Governments. It is only under exceptional circumstances that the Government of India can at all levy contributions from the Government of Madras or the other provinces. For instance, if there is war or widespread famine in any Presidency, that Presidency will of course have to bear the brunt, but the brother provinces of the joint family cannot afford to see one of their brothers being starved and therefore the other provinces must contribute a share. It is only in such extraordinary and exceptional circumstances that the Government of India should be allowed in fairess to get any contribution from the provincial Governments, because such a view stands to reason and law. The Government of India Act provides that the provincial Governments should be independent of the Government of India regarding certain responsibilities. They are the responsibilities which devolve under certain heads by the transfer of certain subjects, which will hereafter be under Ministers. For the discharge of those responsibilities, the Local Governments must have money. Therefore it stands to reason that the provincial Governments should have ample provincial revenues. Therefore as far as the first resolution is concerned, I would, with Your Excellency's permission, like to move an amendment for the addition, at the end of the resolution, of the following clause: 'and no contribution should be levied except on extraordinary occasions such as war, widespread famine.' By this amendment, as I have already pointed out, we would pin down the Government of India to certain sources of revenue so that they may have to economise, as the Hon'ble Mr. Venkatapati Raju said, by cutting down the military expenditure or by raising the taxation or customs duties. All their sources of revenue are certainly very elastic, especially in the case of the customs, income-tax and the railway revenue. I do not know whether I am treading on debatable ground, but as far as the food-grains are concerned, I would like that all food-grains that are exported from India should be taxed, so this poor country of India may not be in perpetual want and be always suffering under high prices. If we can prohibit or at least minimise the exports by putting down an export duty, it would greatly increase the customs revenue. So there are a number of ways in which the sources of revenue of the Government of India which are already elastic can be made to yield more. Economy is a point that should be considered by the Government of India. With this amendment, I will support substantially the first resolution.

"As far as the second resolution is concerned, I do not know whether it is possible to have a hard and fast rule, when exigencies of circumstances might necessitate the giving up of this rule. The resolution may therefore be omitted, specially because there is the fifth resolution to the effect that in any case if any amount is levied in excess of the due contribution from the province of Madras, it should be recovered from the provinces contributing less than their due proportion in such instalments and at such times as the Government of India may determine. Therefore in view of the fifth resolution, I am of opinion that the second resolution need not be pressed.

"As far as the third resolution is concerned, I quite agree with the mover of the resolution and the supporters, the Hon'ble Mr. Macphail and others. I doubt if any change in the wording of the resolution is necessary at all, but I have no doubt that the resolution will meet with the unanimous approval of this house.

"I have now only to add a few words. As far as the Madras Government is concerned, it has been pointed out that we have been taxing ourselves to the utmost and that we have not been spending for all our requirements as is the case in Bombay and Bengal. But the reasons given by Lord Meston's Committee for taking a large contribution from us are certainly not sound. The Committee agree that the Madras Government is very much handicapped and is going to be bled, because it has been bled all along and there had been no objection nor

much trouble. It is said that this Government will not be able to digest all the surplus. But there are heads of departments, like Education, Forests, Industries, Public Works, Sanitation and Medical Relief, any one of which, I am sure, would wipe off the whole of the surplus. They have so many schemes in their pockets that they can digest the whole surplus and more too. Therefore with these observations, I wish to support the resolutions ".

The Hon'ble Khan Bahadur A. T. G. M. AHMAD TAMBI MARAKKAYAR SAHIB Bahadur:—"Your Excellency, I wish to say a few words with reference to the amendment moved by the Hon'ble Mr. Subba Rao regarding the first resolution. I do not see any reason why, while admitting that the Government of India have every power to meet their requirements by raising taxation, the Government of India should increase the export duty. While there are so many sources whereby they could meet their deficit, I do not see any reason why a particular source should be pitched upon. They have got so many powers. The Government of India have got even the power of raising a poll-tax. It is not necessary that they should raise only one tax throughout India. If the Government of India really find that a particular province is suffering for want of funds, they could raise the tax in that particular province and meet the requirements. The proposal of raising the export duty looks to me like robbing Peter to pay Paul and I strongly oppose raising any general taxation and that particularly with regard to the Madras province, to meet the requirements of the other provinces and I oppose the amendment moved by the Hon'ble Mr. Subba Rao."

The Hon'ble Rao Bahadur V. K. RAMANUJA ACHARIYAR:—"Your Excellency, I think I have been misunderstood. I never intended that the Government of India should never levy any contribution from the provinces. In cases of grave emergency they may do so. This power is taken in the Act.

"I also demur to the remark of the Hon'ble the Rev. Macphail, that Madras as part of the Indian Empire can never claim fiscal autonomy. Madras Presidency is contributing a large amount to the imperial taxes in the shape of the duty on salt, opium, customs, posts and telegraphs and Railways. We do contribute our share to the taxes of the Government of India. What I mean here is that so long as the Government have taken certain heads of revenue and so long as they have transferred certain other heads to the provinces, they ought to be content with the revenues they get from their own sources. If they want more, they ought to manipulate those items and get what they require. In order to remove any misapprehension on this point, with Your Excellency's leave, I would move the first resolution thus: 'This Council recommends to His Excellency the Governor in Council that no contribution shall be levied from local Governments except in cases of grave emergency.'

"With regard to the second resolution, the Hon'ble Mr. Subba Rao considers it is unnecessary and that we ought not to tie the hands of the Government of India, and say in how many years the deficit should be wiped out. The framers of the Reform Report did contemplate the disappearance of the deficit at sometime or other, but there is no sign that Lord Meston's Committee takes the same view. But if this contribution be continued for all time to come, it will cripple our resources and, therefore, I say, that the deficit should be wiped out in a fixed term of years.

"With regard to the third resolution, the Hon'ble Mr. Narasimha Ayyar thinks that the wording is not happy. I do not know whether it is necessary to make any amendment. If any amendment is necessary I will amend it like this: 'That this Council recommends to His Excellency the Governor in Council that representations be made to the Government of India that the contribution required from the Madras Government in the first year of the Reforms, viz., 348 lakhs, is excessive and that the Madras Government will be unable to carry out several important schemes which have been hung up owing to financial stringency in the past.' The Hon'ble Mr. Narasimha Ayyar observes that Government have often remarked that if provision is made in the budget, that amount cannot be digested. If the Hon'ble Mr. Narasimha Ayyar will examine the point carefully, he will find that when we proposed to allot large sums on minor irrigation, tank restoration, etc., the Government said that the whole amount cannot be spent because the expenditure depends upon rain and upon a supply of coolies being available. With regard to the larger figure to be entered in the budget under 'Education', the Government have said, 'we have not got enough trained teachers, so we cannot spend the whole amount.' With regard to the provision made under medical aid, the Surgeon-General said: 'we have not got a sufficiently large number of trained men, therefore, it will not be possible to spend the whole money.' Here, with regard to 576 lakhs, it is proposed to spend 159 lakhs on various items, 200 lakhs will be required by the Salaries Committee and according to the estimate made for expansion of education, 150 lakhs at least will be required. All these amounts can be spent, we have got ten months more and arrangements can be made for training more teachers. With regard to local Boards, any amount can be spent. It is because we have no funds that several schemes of water-supply and drainage are hung up. I do not think I need say anything more. As far as I see the Council accepts the principle of these resolutions and I hope they will be passed."

The Hon'ble Mr. B. V. NARASIMHA AYYAR:—"Your Excellency, I did not say that Government will not be able to spend more money this year. Your Excellency's Government has got the power of digestion. As for the form of the resolution, I submit that some of us

would like the first resolution to be amended as follows: 'This Council recommends to His Excellency the Governor in Council that he will be pleased to convey to the authorities concerned the strong feeling of this Council that the proposed annual levy of contribution from this Presidency to meet the ordinary deficit of the Government of India should be dropped especially in view of the very heavy and disproportionate draft that has been made on this province for a very long time for the benefit of the Government of India and the other provinces.' I do not know whether this will suit."

The Hon'ble Rao Bahadur V. K. RAMANUJA ACHARIYAR :—"I think my amendment is simple, viz., that no contribution shall be levied from the local Governments except in cases of grave emergency."

The Hon'ble Mr. B. V. NARASIMHA AYYAR :—"I have no objection."

His Excellency the PRESIDENT :—"I think the Hon'ble Mr. Ramanuja Achariyar's resolution will probably meet with the views of the Council. The first resolution runs as follows:

'This Council recommends to His Excellency the Governor in Council that no contribution shall be levied from the local Governments except in cases of grave emergency'."

The resolution was then put to the vote and carried unanimously.

The following resolution was put to the Council and carried unanimously.

'II. This Council recommends to His Excellency the Governor in Council that, if a contribution has to be levied to meet the deficit, the deficit should be wiped out in a fixed term of years which should not exceed ten years and that there should be a maximum amount beyond which contribution towards the deficit should not be claimed.'

The following amended Resolution III was also put to the Council and carried unanimously :—

'This Council recommends to His Excellency the Governor in Council that representations be made to the Government of India that the contribution required from the Madras Government in the first year of the reforms, viz., 348 lakhs is excessive and that the Madras Government will be unable to carry out several important schemes which have been hung up owing to financial stringency in the past.'

The following resolution stood in the name of the Hon'ble Rao Bahadur V. K. Ramanuja Achariyar :—

'IV. This Council recommends to His Excellency the Governor in Council that representation should be made to the Government of India for the retention of general stamps as an item of Imperial revenue unless it can be guaranteed that the deficit of the Government of India will be completely wiped out in a reasonable period of time."

The Hon'ble Mr. J. F. SIMPSON :—"Your Excellency, I beg to propose resolution No. IV but I would like to do so in a form somewhat different from what appears on the Agenda paper. The resolution as I would amend it runs as follows: I confess I am not wedded to the form and I think it would be better to form a new resolution rather than try to modify the old one.

'This Council recommends to His Excellency the Governor in Council that representation should be made to the Government of India for the retention of general stamps as an item of Imperial revenue, as general stamps is inappropriate as a Provincial tax and its transfer is likely to delay the complete wiping out of the deficit of the Government of India.'

"As I have said Your Excellency, I am not wedded to any form of words and I have no objection to that being improved upon. The difference between the resolution I have proposed from the one as it is on the agenda paper is that it introduces a new feature, viz., that general stamp is inappropriate as a provincial tax. The resolution as it appears in the agenda makes no reference to that. In fact it accepts this tax if it can be guaranteed that in a reasonable time the Government of India's deficit will be wiped out, the idea being that thereby we shall eventually gain something from general stamps. But I take it that though we may gain something from the monetary point of view we lose from another point of view. And in this connexion I would like to read an extract from a protest the Chamber of Commerce sent up to the Government of India two weeks ago. 'The increase in the Imperial deficit has been brought about mainly by the transfer of general stamps from Imperial revenue to provincial revenue, and

although the Chamber realizes that eventually such transfer may benefit this Presidency, nevertheless, for several years to come, it will have the effect of materially increasing the unfair burden the Presidency has to bear, the contribution on the increased deficit being much in excess of the increased revenue from stamps."

"Apart from this, the Chamber submits that general stamps is much more appropriate as an Imperial tax than as a Provincial one. Stamps on mortgages and conveyances might perhaps be conveniently regulated by Provincial Governments, but clearly it would be most undesirable to have different rates of duty in each Province on Bills of Lading, Insurance Policies, Share transfers, Bills of exchange or any other kind of document which moves freely from place to place and which would require to be stamped afresh whenever it crossed the border from one Province to another. In view of the above, the Chamber submits that the duties on General Stamps would have to be fixed by the Imperial Government, and a document if stamped in one Province must be deemed to be duly stamped when received in another. Such being the case, the tax is inappropriate as a Provincial tax.

"I do not think I can add much to that. Your Excellency, I notice that Lord Meston's Committee in a way refer to that objection and have said in paragraph 8 that arrangements could be made to overcome that anomaly by the Imperial Government. They also say at the end of that paragraph that 'the only consideration on the other side, to wit the extent to which the deficit in the all-India budget will thereby be increased.' That is the only thing on the other side. In my opinion that is the most important thing of all. Their proposal increases the Government of India's deficit and thereby increases what we have to pay. I therefore beg to move resolution IV as I have read it. You may amend it, if necessary, admitting this principle that the tax is inappropriate as a provincial one.

The Hon'ble Rao Sahib M. C. MUTTAYYA CHETTIYAR:—"I second the resolution."

The Hon'ble Rao Bahadur V. K. RAMANUJA ACHARIYAR:—"Your Excellency, I originally framed resolution IV as it appears in the Agenda paper, because I thought that if the deficit can be wiped out, it would be well for the local Government to have general stamps also. Lord Meston's Committee's report says it will still be a divided head, because though general stamps and judicial stamps can be separated, still the work under the two heads will be run by the same agency. They therefore propose to wipe out all taint of a divided head. They also consider that several provinces will have little or no surplus, if general stamps were made an item of Imperial revenue. I have, however, no objection to the resolution as framed by the Hon'ble Mr. Simpson. Only I thought that in the event of the deficit being wiped out in some other way, the Government of Madras will have more money, about 50 lakhs, which may rise to something higher."

His Excellency the PRESIDENT:—"The resolution as it stands at present runs as follows: 'This Council recommends to His Excellency the Governor in Council that representation should be made to the Government of India for the retention of general stamps as an item of Imperial Revenue as general stamps is inappropriate as a provincial tax and its transfer is likely to delay the complete wiping out of the deficit of the Government of India'."

The resolution as revised by the Hon'ble Mr. J. F. Simpson was put to the vote and carried unanimously.

RESOLUTION *RE* RECOVERY OF CONTRIBUTION FROM THE PROVINCES.

The Hon'ble Mr. B. V. NARASIMHA AYYAR:—"The resolution I have the honour to move runs as follows:—

'V. This Council recommends to His Excellency the Governor in Council that in any case if any amount is levied in excess of the due proportion from the Province of Madras, it should be recovered from the Provinces contributing less than their due proportion in such instalments and at such times as the Government of India may determine.'

On this point also there is substantially no difference of opinion. There is no reason discoverable either in Lord Meston's Committee's report or elsewhere for compelling the Madras tax-payer to pay for the benefit of Bombay or Bengal. At present certain objections are raised by that Committee in their report for the immediate equalization of the contributions. No reason has been given why ultimately all credits and debits which may now be made on account of payment beyond the due proportion should not be adjusted as loans should be adjusted. I, however, find one objection raised by some of our friends that it may weaken our case; if the first prayer is not granted, what is to be done? Those of us who are acquainted with the course of law would know that even in matters involving life and death we begin by saying. 'If Your Lordship should find that the accused has committed the murder, so and so may be done.' There is very slight risk in such cases. I think there is really no risk in putting forward an alternative in the present case. I believe if the first four proposals are not accepted, the legitimacy and the justice of the fifth is patent to all. Therefore I believe we will all be agreed in this matter. There is no danger in putting this forward."

The Hon'ble Khan Bahadur A. T. G. M. AHMAD TAMBI MARAKKAYAR SAHIB Bahadur:—"I second the resolution."

The resolution was put to the vote and carried.

His Excellency the PRESIDENT:—"In saying a few words before concluding this discussion I wish to refer to a matter which my Honourable friend Mr. Ramanuja Achariyar mentioned in his speech and to confess that, when I first received the application from certain non-official members of this Council to summon a special meeting in order that they might express their views on the report of Lord Meston's Financial Relations Committee, I felt some doubt as to whether, by acceding to their request, I should be transgressing certain rules which govern our Council's discussions, but I decided, and I take all personal responsibility for the decision that it was only right that non-official members should be given a full opportunity of expressing their views on a matter which vitally affects the progress and development of our Province and its people, and which has roused a complete unanimity of expression and feeling throughout the Presidency.

"My colleagues and I have listened with the deepest interest to the speeches which have been made by many Honourable Members during the course of this discussion, and I can assure them all that they have confirmed and fortified us in our determination to put forward firmly and fairly the strongest possible protest that we can against the conclusions arrived at by Lord Meston and his Committee.

"And we are further confirmed in our determination by the fact that every important organ of the press has declared itself strongly against the award, that the principal commercial and political organizations have passed resolutions of protest, indeed it is especially satisfactory to note that, while there is considerable political controversy in evidence in the Presidency at the present time, on this particular matter there is amongst all political parties complete and entire unanimity.

"I can therefore give Honourable Members every assurance that Government are generally in the fullest sympathy with the views that have been expressed. This is not the occasion for me to lay before you the details of our case, which has I think been sufficiently developed by Honourable Members to-day. What we ask for, what we have every right to expect is absolutely fair treatment and we claim that this matter should be settled from the point of view of principle and not from that of expediency: and with the recollection which many of you must have of unfair treatment in the matter of previous financial settlements which have seriously retarded the possibility of development in this Province in the past, with the certain knowledge of the insistent demand for expenditure on development which comes before us from every department, we shall put forward our case in full confidence that the Government of India and Secretary of State will treat us with absolute fairness, and not allow our Reformed Council to start their work with a deep sense of injustice and wrong, which will inevitably be the case if Lord Meston's award is agreed to."

The Hon'ble Mr. B. V. NARASIMHA AYYAR:—"On the other hand, Your Excellency we are thankful to you for having given us this very important opportunity to save the Province from a catastrophe."

The Council then adjourned *sine die* at 1-8 p.m.

F. J. RICHARDS,
Acting Secretary to Govt., L. & M. (Legislative) Dept.

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